

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 000056

SIPDIS

E.O. 12958: DECL: 01/04/2016

TAGS: [ECON](#) [EFIN](#) [ETRD](#) [ECONOMY AND FINANCE](#) [GOI](#) [INTERNAL](#)

SUBJECT: ISRAELI MARKETS STABLE IN FACE OF SHARON CRISIS

Classified By: Economic Counselor William Weinstein for reasons 1.5 b a
nd d.

Summary

11. (U) The Israeli financial markets reacted to the news of Prime Minister Sharon's stroke with less severity than might have been expected. The shekel depreciated by a little over one percent, and the Tel Aviv Stock Exchange (TASE) declined less than four percent after being down by more than six percent in the first few minutes of trading. A Bank of Israel (BOI) press statement stated that Governor Stanley Fischer and Acting Prime Minister Olmert spoke this morning and agreed that the GOI's budget and monetary policies would remain unchanged. This statement had the desired effect and moderated the early losses. Throughout the day, various prominent economic players issued statements stressing the positive fundamentals of the Israeli economy and noting their expectation that the policies of the Sharon government of the last three years would be maintained. End Summary.

Fischer, Olmert Agree that Economy is Strong

12. (U) At the end of trading on January 5, the Representative Shekel/Dollar exchange rate was set at NIS 4.628, a decline of 1.11 percent from yesterday's rate of NIS 4.58. The shekel reached its low in the 4.64 range shortly after trading opened, but gained some strength after a press release by the BOI announced that Governor Fischer and Acting PM Olmert had spoken and agreed that budget and monetary policies would continue unchanged. The press release further noted that they stressed that cooperation between the BOI and the MOF would continue, that the markets are functioning well, considering the circumstances, that the economy was stable and strong, and that the BOI would continue to monitor developments. The preliminary 2005 growth figures published by the Central Bureau of Statistics on January 1 indicating that 2005 GDP growth was 5.2 percent and that GDP per capita growth was 3.3 percent provided positive context for this and other statements which followed and reaffirmed confidence in the strength of the economy. Throughout the day, other financial analysts weighed in, including foreign exchange analyst Adam Reuter, who told "The Marker" that despite the political uncertainty that would affect the markets, he did not think that the shekel would depreciate appreciably.

TASE Drops Off of New Highs

13. (U) In the first few days of 2006, the TASE hit new highs. The Tel Aviv 100 (TA 100) hit a high of 856 and the Tel Aviv 25 (TA 25) 849 at the close on January 4 - before the PM's stroke. On January 5, they closed at 822 and 816, respectively, smaller losses than expected. The trading volume of NIS 4.1 billion was extremely high, the highest ever according to market analyst Tsvi Stepak, who was quoted in the media. When trading resumes on Sunday January 8 after the weekend, it will be possible to get a somewhat better idea of the market's more considered view of the situation.

14. (U) In an interview on Israel Radio, Director of the TASE Yair Ogler said that he did not expect foreign investors to panic and pull their money out of the country. He said that the basic economic statistics are good and that there is no reason to think that the economic situation will change. He noted, however, that investors will need time to evaluate the situation.

Business Leaders Express Confidence in the Economy

15. (C) In a telcon with Econ Counselor, Gus Felix, Citigroup Israel's Managing Director, said that Citigroup had full confidence in the Israeli economy and markets, and had issued a public statement to that effect. He said that foreign investors had been prepared to take profits after the recent run up in the market in any case, and that any decline in the markets was as expected. He noted that business is going on as usual with orders being filled. He added that Citibank had reviewed its Israel portfolio and saw no particular

economic problems going forward.

16. (U) Manufacturer's Association President Shraga Brosh told Israel Radio that the business community supports the GOI's economic policies, and that those policies would continue. He said that there is no reason to worry about the markets, which will shortly return to normal. He emphasized that the business community will do all it can to maintain economic stability.

17. (U) In another Israel radio interview, Uriel Linn, President of the Federation of Chambers of Commerce, said that the business community has full confidence in the Acting PM and the economic policies of the government. He said that Israel's economy benefited significantly from the involvement of PM Sharon, but that the responsible and professional management of the BOI, the MOF, and other ministries involved in economic issues would continue to ensure that the economy would perform well.

Visit Embassy Tel Aviv's Classified Website:
<http://www.state.sgov.gov/p/nea/telaviv>

You can also access this site through the State Department's
Classified SIPRNET website.

JONES